

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

From: David C. Moe II, Redevelopment Manager 

Date: June 19, 2008 (City Council Meeting of 7/2/08)

Subject: Consider Resolution Approving Lease of Property Owned by the Redevelopment Agency of the City of Moorpark to the United States Post Office

BACKGROUND AND DISCUSSION

The Redevelopment Agency of the City of Moorpark ("Agency") acquired a 4.77 acre site, located at the terminus of West High Street and continuing east to the north Metrolink parking lot, from the Ventura County Transportation Commission on August 8, 1993, at a cost of \$800,000.00. The Agency is now in negotiations to lease approximately one acre of this site at the terminus of West High Street ("Property") to the Post Office. A site plan of the proposed Post Office is attached as EXHIBIT A. Since the acquisition, the Property has been leased as a storage yard to a variety of tenants. The development of the facility is on a "fast track" with construction scheduled to begin before the end of the 2008 calendar year.

The proposed lease with the Post Office would have a term of 99 years at a nominal rate of \$1.00 per year. The lease would continue for so long as the Postal Service maintains the site as its main Moorpark Post Office (approximately 6,000 square feet) including retail services and supporting onsite improvements.

California Community Redevelopment Law ("CCRL") Section 33433 requires that the legislative body approve, by resolution and after a public hearing, any agency sale or lease of property which was acquired with tax increment funds. Said resolution must also include the following three findings:

1. The lease of property will assist in the elimination of blight in the Moorpark Redevelopment Project Area.
2. The lease of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the

Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.

3. The property is being leased to the Post Office at the fair reuse value of the property taking into account the uses, covenants, conditions and development costs required by lease, in accordance with the Moorpark Redevelopment Plan.

Therefore, since the Agency did acquire the Property with tax increment funds, the City Council will need to approve the proposed sale and make the three required findings.

The Section 33433 Summary Report (Exhibit B) summarizes all Agency costs associated with the acquisition, holding and sale of the Property; states that the Property is being leased for the fair reuse value; and describes how the lease of the Property will assist with the elimination of blight and is consistent with the 2005-2009 Five Year Implementation Plan.

FISCAL IMPACT

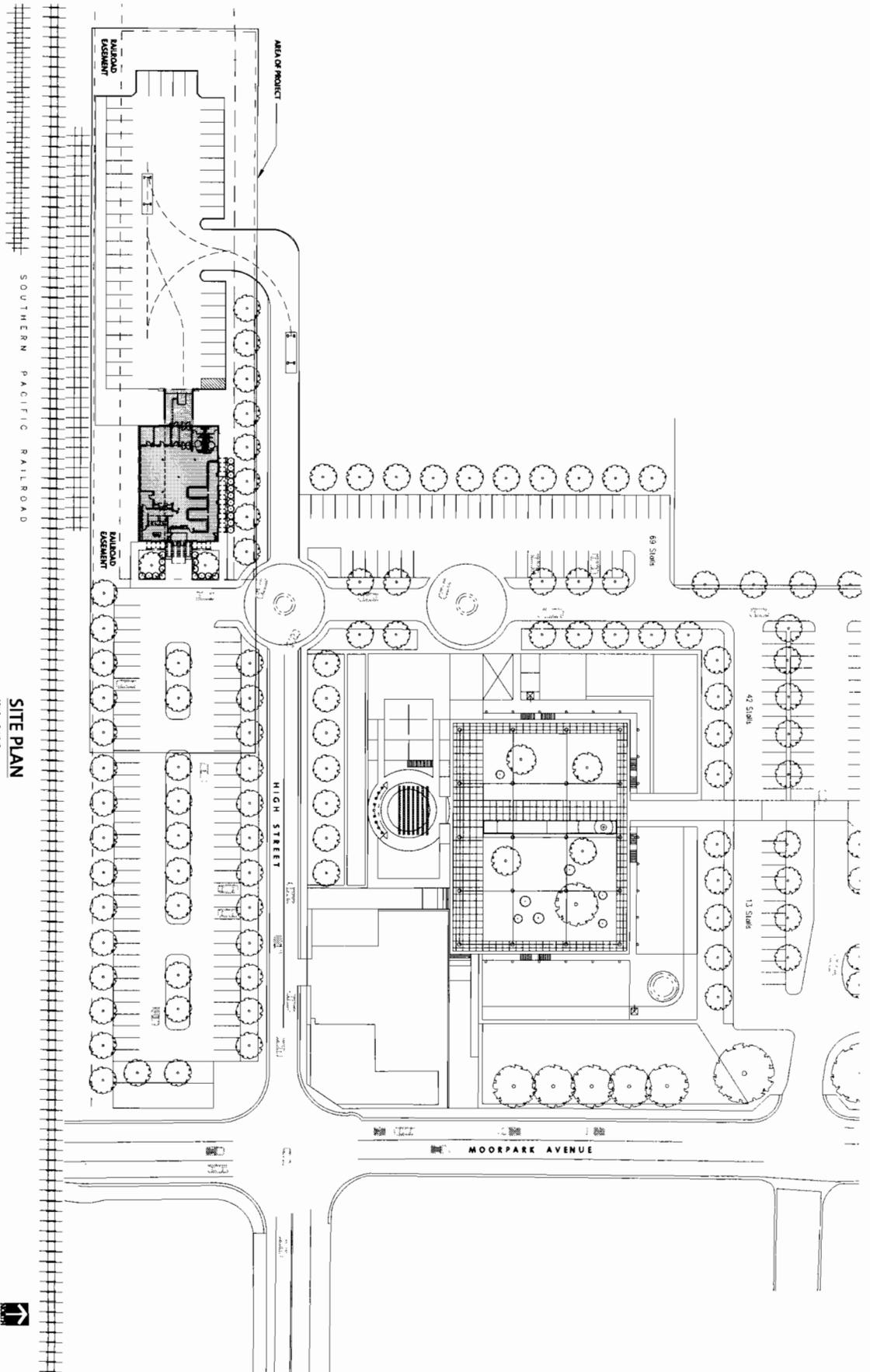
According to the Health and Safety Code, Section 33433 Report, the Agency's current investment in the property to be leased is \$180,000. The maximum return from the lease for its full term is \$99.00.

STAFF RECOMMENDATION

- 1) Open public hearing, take public testimony, and close the public hearing; and
- 2) Adopt Resolution No. 2008- ____ approving lease of Property between the Agency and Post Office subject to ground lease approval by the Agency.

Exhibit "A" Site Plan
Exhibit "B" Section 33433 Summary Report
Exhibit "C" Resolution

EXHIBIT A



SITE PLAN

RACHLIN ARCHITECTS
2000 S. 10th Street, Suite 100
San Jose, CA 95128
Tel: 408.298.1234
Fax: 408.298.1235

USPS MOORPARK POST OFFICE
MOORPARK, CA 95021

EXHIBIT B

URBAN FUTURES INCORPORATED

Finance • Redevelopment • Implementation • Planning • Bond Administration • Continuing Disclosure

INFORMATION SUMMARY FOR PROPOSED GROUND LEASE WITH UNITED STATES POSTAL SERVICE "33433 REPORT"

This summary was prepared for the Moorpark Redevelopment Agency (the "Agency") pursuant to Section 33433 of the California Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code, the "CCRL") with respect to the proposed Ground Lease ("Lease") between the Agency and the United States Postal Service (the "USPS"). The Lease pertains to the development of a public post office building of approximately 6,000 square feet of gross building area (the "Project") on an approximately 43,250 square foot parcel (i.e., approximately one acre of land) located near the southwest corner of Moorpark Avenue and High Street (the "Site") within the Moorpark Redevelopment Project Area.

1. **Cost of Project to Agency:**

The Agency's net costs to enable the Project to be developed are estimated at approximately \$109,000. This conclusion is based upon the following data:

- a. **Land Acquisition Cost:** The Site is a part of a larger land holding owned by the Agency. In order to determine the Site's land acquisition cost, it was necessary to evaluate the land related costs associated with the Agency's larger land holding and then prorate such costs to the Site. In that regard, on August 17, 1993, the Agency acquired approximately 4.7 acres of land (approximately 204,732 square feet)(the "Acquisition Property") from the Ventura County Transportation Commission ("VCTC") for \$800,000. Agency records reflect that the Agency incurred \$39,140.93 of acquisition-related costs. Further, during 2007, the Agency incurred \$50,000 of additional costs to rectify certain property boundary discrepancies with the VCTC with respect to adding approximately 14,000 square feet of additional area to the Acquisition Property and incurred \$11,600 of additional costs for the preparation of an environmental assessment. As a result, the Acquisition Property currently consists of an area of approximately 218,732 square feet or approximately 5.02 acres. Therefore, in total, the Agency has incurred \$900,740.93 of costs (or approximately \$4.12 per square foot) related to purchasing the Acquisition Property. The Site consists of approximately 20% of the Acquisition Property; therefore, on a prorated basis the Agency has incurred approximately \$180,148.19 (rounded to \$180,000) of costs reasonably related to acquiring the Site.
- b. **Clearance Costs:** The Site was vacant when acquired. Therefore, the Agency has not incurred any clearance costs related specifically to the Site.

- c. **Relocation Costs:** The Site was vacant when acquired. Therefore, the Agency has not incurred any relocation costs related specifically to the Site.
- d. **Improvement Costs:** The Agency has not incurred any improvement costs related specifically to the Site.
- e. **Finance Costs:** None
- f. **Other Costs:** None
- g. **Offsetting Revenue:** The sum of the above costs (i.e., items "a" through "f") is \$180,000, which represents the Agency's current total investment in the Site. These costs are offset by approximately \$71,000 of lease revenue and prorated rental income received by Agency during the term of its ownership of the Acquisition Property, as further described herein.

With respect to the rental income, Agency staff has estimated that the Agency has received roughly \$223,000 of rental income attributable the Acquisition Property over the last nine years (i.e., since 1999). Unfortunately, the Agency no longer has records that will confirm the amount of rental income it received from the Acquisition Property during the Agency's first five years of ownership. However, upon obtaining title to the Acquisition Property the rent roll shows that the annualized rental income from the then existing tenants was \$52,320. Therefore, in light of the lack of records and the knowledge that tenants actually occupied the Acquisition Property, Urban Futures, Inc. believes it is appropriate to provide a conservative estimate of the rental income the Agency received during its initial five year period of ownership of the Acquisition Property. With the foregoing in mind and in order to be extraordinarily conservative, Urban Futures, Inc. believes that an estimate of annual rental income received prior to 1999 should be based on not more than 50% of the Acquisition Property's initial annualized rental roll. This conservative estimate should fairly allow for vagaries that may have occurred with respect to tenant changes and/or short-term vacancies. Using this formula, Urban Futures, Inc. believes that it is reasonable to project that the Agency received at least \$26,000 per year in rental income during the first five years of the Agency's ownership of the Acquisition Property for a total of approximately \$130,000 (i.e., $\$52,320 \times .50 = \$26,160$, rounded to $\$26,000 \times 5 = \$130,000$). Therefore, it is reasonable to project that throughout the term of the Agency's ownership of the Acquisition Property, the Agency received at least \$353,000 (i.e., $\$223,000 + \$130,000 = \$353,000$) of rental income from the Acquisition Property. On a prorated basis (i.e., using 20% as noted above), \$70,600 may be reasonably attributed to the Site as rental income. In addition, pursuant to the Lease the USPS will pay the Agency \$99 (i.e., \$1 per year) to lease the Site. Therefore, the sum of the above noted sources (i.e., $\$99 + \$70,600$) is \$70,699 (rounded to \$71,000).

Based on the above, Urban Futures, Inc. believes that the cost of the Project to the Agency can reasonably be estimated at \$109,000. This number is derived by subtracting the estimated offsetting revenue from the estimated cost of acquiring the Site (i.e., $\$180,000$ less $\$71,000 = \$109,000$).

2. Estimated value of interest to be conveyed or leased, determined at highest and best use permitted by the Redevelopment Plan:

In order to determine the value of the interest to be leased, Urban Futures, Inc. has considered recent title transfer transactions and a recent related real estate appraisal. The initial step involved a current survey of title transfer transactions (i.e., land sales) to determine if there had been any recent sales of vacant commercial parcels within a reasonable vicinity of the Site. Unfortunately, as of the date of this report, there were not any reported sales in recent months. Consequently, Urban Futures, Inc. was unable to use data from recent title transfer transactions in its analysis of the estimated value of the interest to be leased. Therefore, Urban Futures, Inc. has relied upon an appraisal of a portion of the Acquisition Property that was obtained by the Agency earlier this calendar year. In that regard, staff engaged the services of Dale Donerkiel, SRPA, SRA and California Certified General Real Estate Appraiser ("Appraiser") as an expert, third party real estate appraiser. On February 4, 2008, the Appraiser completed a real estate appraisal on an approximately 2.36-acre (approximately 108,142 square feet) portion of the Acquisition Property, from which a parcel would be created for a nearby commercial development (the "Appraised Property"). The appraisal is on file with the Agency. Based upon their value analysis, it was the Appraiser's opinion that the estimated value of the Appraised Property at its highest and best use permitted by the Redevelopment Plan (i.e., private commercial development) equals a total of \$1,514,000 or \$14.00 on a square foot basis.

It is important to state that in determining this value, the Appraiser assumed that the Appraised Property was vacant. The Appraiser also assumed that the Appraised Property was free from environmental contamination. With respect to this issue, during a 2007 interview with the VCTC's immediate past Executive Director (i.e., Ms. Ginger Gherardi) assured Urban Futures, Inc. that the appropriate steps were taken during 1993 to ensure the Acquisition Property was free from environmental contamination. The interview with Ms. Gherardi occurred in relation to the preparation of a Summary Report (i.e., "33433 Report") prepared by Urban Futures, Inc. with respect to a commercial development proposed by Aszkenazy Development, Inc. for the Appraised Property. Further, staff has since obtained appropriate third-party confirmation of this assurance.

Therefore, by using the Appraiser's above noted per square foot value of \$14.00, the imputed value of the Site is \$609,840 (rounded to \$610,000). Based on prevalent real estate practices, it is typical that triple net ground leases generate between 8 and 12 percent of the effected land's value in lease payments on an annualized basis. The rate that would be applicable in any given case would, among other factors, be a function of land-use parameters, market conditions, property location and access, parcel size and configuration, and soil and topographical conditions. Given that the Site is not located on a busy thoroughfare and in consideration of current market conditions, Urban Futures, Inc. believes that 8% of land value would be an appropriate factor to use in determining the fair market value of the lease rate applicable to the Site. In the instant case that would mean that the fair market value lease rate for the Site, if it were to be developed as a private commercial development, would be \$48,800 during the first year of the lease.

As explained in greater detail below, it is the opinion of Urban Futures, Inc. that the use limitations established by the City together with the condition, covenants and development costs required by the Lease for the Project have effectively set the fair reuse lease value of the Site at the Lease rate.

3. Estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants and development costs required by the sale or lease:

The following characteristics of the Site and/or the Project have contributed to the opinion of the fair reuse lease value of the Site:

1. The Site has been designated by the City as the relocation site for the Moorpark Post Office, meaning that the Site may not be considered for a private commercial development and may only be used for the development of a USPS facility;
2. The Site will be developed by the USPS, at its sole expense, wherein the services provided to the City as a whole and the redevelopment project area in particular will be enhanced and assist local economic development efforts;
3. Pursuant to the Lease, the USPS has acknowledged and agreed to allow public use of the new post office parking lot for City of Moorpark sponsored public events on weekends;
4. The USPS will develop the new post office in a fashion that is compatible with the Moorpark Civic Center improvements;
5. The USPS has confirmed that they currently only have a budget for the development of the replacement post office and do not have any fiscal resources to pay a lease payment greater than the rate stated in the Lease;
6. The improvements to be developed by the USPS on the Site will further the City's goal of consolidating government services within close proximity of City Hall; and
7. The improvements will revert to the Agency upon expiration or termination of the lease.

As a result, Urban Futures, Inc. has concluded that the reuse value of the Site, given the use limitations established by the City together with the conditions, covenants and development costs required by the lease (all as noted above), is equivalent to the Lease rate.

4. The purchase price or sum of the lease payments which the lessor will be required to pay during the term of the Lease:

Pursuant to the Lease, the USPS will lease the Site for \$1 per year for up to 99 years.

5. Explanation of the reason (if applicable) why the sales price or lease rate paid to the Agency may be less than market value of the property as determined at its highest and best use:

The Site's use limitations established by the City with respect to the relocation of the Moorpark Post Office, meaning that the Site may not be considered for a private

commercial development and may only be used for the development of a USPS facility, has the direct economic affect of equating the Lease rate to the amount of rent that the USPS is able to pay. As noted above, the USPS is currently only able to pay \$1 per year for up to 99 years. They are, however, able to fully finance the direct costs associated with developing the new post office. Further the development of the new post office will significantly enhance the ability of the USPS to provide services within the City as a whole and to the redevelopment project area in particular. It will also enhance local economic development efforts and further the City's goal of consolidating government services within close proximity of City Hall. In addition, the USPS facilities will revert to the Agency upon expiration or termination of the lease. Therefore, Urban Futures, Inc. has concluded that the reuse lease value of the Site, given the use limitations established by the City together with the conditions, covenants and development costs required by the lease (all as noted above), is equivalent to the Lease rate.

6. Explanation of why the sale or Lease of the property will assist in the elimination of blight:

This Lease is part of a project designed in part to eliminate blight in the Moorpark Redevelopment Project Area. The greater portion of the Site (i.e., the Acquisition Property) has been used for non-operating railroad related purposes for many years in the past. In recent times it has been used for multi-tenant small-scale commercial purposes. The current improvements on the Acquisition Property are both economically obsolete and exhibit conditions of physical degradation. Therefore, the Project will result in eliminating blight that exists in a portion of the Moorpark Redevelopment Project Area, specifically on the Acquisition Property, and will cause new economic development activity, including job creation.

7. Economic benefits of the Project:

The current Moorpark Post Office is housed within a leased facility located at 215 West Los Angeles Avenue, near the northwest corner of West Los Angeles and Moorpark Avenues. This facility is undersized and lacks the design features and amenities typically offered by the USPS in jurisdictions that are comparable in size and population to Moorpark. In other words, the current post office facilities are both inadequate in terms of meeting current demands and limit the capabilities of the USPS to adequately meet additional growth induced service requirements within their Moorpark service area. This circumstance, if not corrected, could place a damper on future economic development opportunities that the City could realize. As a result, Agency and City representatives have for a significant period of time been working diligently to convince the USPS to develop a new and modern post office within the City of Moorpark and more particularly in close proximity to the City's Civic Center. In that regard, the City's overall plan for consolidating public services in the vicinity of City Hall has included the development of a new post office on the Site. Until recently the USPS has not had the resources to develop a new Moorpark Post Office. However, recently the USPS has advised staff that they were able to obtain budget resources that will allow them to finance the cost of developing the Project. Unfortunately, their current resources do not include the ability to pay more than the Lease rate. Although the designation of the Site as the relocation site for the USPS affects the fair reuse value of the Site, the benefits that accrue to the City as a whole and the redevelopment project in particular far outweigh this economic

phenomenon. As mentioned above, the proposed Lease will facilitate the development of a public post office building of approximately 6,000 square feet of gross building area. It is significant to also state that the USPS has indicated that they will invest approximately \$1.375 million in the local economy to develop their new facility. They also have a workforce of 33.

8. Certification:

I certify that this report complies with the reporting requirements of Section 33433 of the CCRL. Further, I do not have a present or perspective interest in the Site, the Project or the parties to the Lease. My engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the Agency, reports provided by its consultants or as otherwise noted herein. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to the Lease change after the date provided below, then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.

Respectfully Submitted,
URBAN FUTURES, INC.

By:


STEVEN H. DUKETT, Managing Principal

Dated: June 13, 2008

EXHIBIT C

RESOLUTION NO. 2008- _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, APPROVING GROUND LEASE OF PROPERTY OWNED BY THE REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK LOCATED AT THE WESTERLY TERMINUS OF HIGH STREET (APN 511-0-090-230) , CONSISTENT WITH CALIFORNIA REDEVELOPMENT LAW SECTION 33433

WHEREAS, the City Council of the City of Moorpark, adopted the Redevelopment Plan for the Moorpark Redevelopment Project on July 5, 1989, by Ordinance No. 110, in accordance with the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*); and

WHEREAS, the Moorpark Redevelopment Agency ("Agency") purchased the property located at the westerly terminus of High Street, also known as APN 511-0-090-230 ("Property") with tax increment funds; and

WHEREAS, California Community Redevelopment Law ("CCRL") Section 33433 requires that the City Council approve, by resolution and after a public hearing, any Agency sale or lease of property which was acquired with tax increment funds; and

WHEREAS, Section 33433 of CCRL requires that the City Council include the following findings in the resolution approving the sale or lease of Agency property purchased with tax increment:

1. The sale or lease of property will assist in the elimination of blight in the Moorpark Redevelopment Project Area.
2. The sale or lease of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.
3. The property is being sold or leased at the fair reuse value of the property taking into account the uses, covenants, conditions and development costs required by sale or lease, in accordance with the Moorpark Redevelopment Plan; and

WHEREAS, notice was published in the Ventura County Star once a week for two weeks prior to the public hearing; and

WHEREAS, on July 2, 2008, the City Council conducted a public hearing to take public comment on the proposed leasing of Agency owned Property; and

WHEREAS, the proposed leasing of Property will assist with the elimination of blight in the Moorpark Redevelopment Project Area; and

WHEREAS, the proposed leasing of Property is consistent with the adopted 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL; and

WHEREAS, the Property will be leased at the fair reuse value taking into account the uses, covenants, conditions and development costs required by sale or lease, with the Moorpark Redevelopment Plan; and

WHEREAS, on July 2, 2008, the City Council reviewed the Section 33433 Summary Report and determined that it is consistent with Section 33433 of the CCRL.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council approves the lease of Agency owned Property subject to final language approval by the City Manager and City Attorney.

SECTION 2. The City Council determines the proposed lease of Property is consistent with Section 33433 of the CCRL and the following findings are made:

1. The leasing of Property will assist in the elimination of blight in the Moorpark Redevelopment Project.
2. The leasing of Property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.
3. The property is being sold or leased at the fair reuse value of the property taking into account the uses, covenants, conditions and development costs required by sale or lease, in accordance with the Moorpark Redevelopment Plan.

SECTION 3. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

Resolution No. 2008 – _____
July 2, 2008
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PASSED AND ADOPTED this 2nd day of July, 2008.

Patrick Hunter, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk

JUG15